

Message Text

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PAGE 01 PEKING 02507 01 OF 02 030852Z

21

ACTION EA-09

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-04 H-02 INR-07 L-03

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SUBJ: FINAL REPORT ON THE 1976 FALL CANTON FAIR

REF: HONG KONG 13413

1. SUMMARY. CHINA'S 40TH EXPORT COMMODITIES FAIR
CLOSED NOVEMBER 15 TO NCNA CLAIMS THAT PRC EXPORT SALES
SET A NEW RECORD AND IMPORT PURCHASES WERE GREATER
THAN THE PREVIOUS FEW FAIRS. USLO ESTIMATES TOTAL
BUSINESS AT CLOSE TO \$1 BILLION, A FIGURE WHICH REFLECTS
BOTH GOOD BUSINESS AND HIGHER PRICES. IF THE CURRENT
EMPHASIS ON EXPORTS CONTINUES, DEMAND WOULD SUPPORT
CONSIDERABLE INCREASES IN SALES OF KEY PRODUCTS IN
THE FUTURE. ATTENDANCE HELD STEADY AT 25,000, PROBABLY
THE MAXIMUM FEASIBLE LEVEL, INCREASING FOR MANY
EUROPEAN COUNTRIES. JAPANESE BUSINESS REACHED A SOUND
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PAGE 02 PEKING 02507 01 OF 02 030852Z

FALL FAIR LEVEL, AND MOST EUROPEAN COUNTRIES ALSO

DID WELL. CHINESE PURCHASING WAS STRONGEST IN
CHEMICALS, PARTICULARLY SYNTHETIC FIBERS AND STOCKS.
END SUMMARY

2. GENERAL TRENDS. THE 40TH EXPORT COMMODITIES FAIR,
HELD IN CANTON FROM OCTOBER 15 TO NOVEMBER 15, PROVIDED
THE CURRENT REGIME WITH ITS FIRST MAJOR
OPPORTUNITY TO SHOWCASE THE PRC'S RENEWED INTEREST
IN EXPANDING FOREIGN TRADE. CHINESE MEDIA COVERAGE
(AN UNPRECEDENTED EIGHT NEW CHINA NEWS AGENCY
RELEASES ON THE FAIR) WAS ACCOMPANIED BY A RELATIVELY
POSITIVE ATTITUDE ON THE PART OF THE CHINESE NEGOTIATORS
AT THE FAIR. OF COURSE, FAIR OFFICIALS NEVER OVER-
LOOKED THE POSSIBILITY OF RAISING EXPORT TOTALS
BY RAISING EXPORT PRICES, AND IT IS THIS TREND WHICH
MAKES PLAUSIBLE THE CHINESE CLAIM THAT EXPORT SALES
SET A NEW RECORD THIS FALL. IF THE CURRENT EMPHASIS
ON EXPORT EARNINGS CAN STIMULATE INCREASED
PRODUCTION, PERHAPS BY THE FALL FAIR 1977, THIS YEAR'S
RECORD SHOULD BE SURPASSED EASILY. AREAS WHERE IN-
CREASED EXPORTS CAN BE EXPECTED ARE TEXTILES, NON-
FERROUS METALS, PHARMACEUTICAL STOCKS, CANNED FOOD-
STUFFS AND GENERAL LIGHT INDUSTRIAL PRODUCTS.

3. ATTENDANCE. NCNA ONCE MORE CLAIMED 25,000
VISITORS AT THE FAIR, PROBABLY THE MAXIMUM NUMBER
WHICH CAN BE ACCOMMODATED IN CANTON AT FAIRTIME.
FAIR AUTHORITIES CONTINUE TO ENGAGE IN FINE-TUNING
OF THE ATTENDANCE MIX, REDUCING THE NUMBER OF HONG
KONG/MACAO BUSINESSMEN AND JAPANESE REPRESENTATIVES
AND INCREASING THE NUMBER OF BUSINESSMEN FROM
INDUSTRIALIZED COUNTRIES. (FAIR OFFICIALS CLAIMED A
NEW ATTENDANCE RECORD WAS SET BY THE LATTER.)
SIMILAR ADJUSTMENTS CAN BE EXPECTED IN THE FUTURE,
BUT INCREASING THE TOTAL NUMBER WILL BE DIFFICULT
UNLESS SOME MEANS IS ADOPTED TO REGULATE THE FLOW
OF VISITORS DURING THE MONTH OF THE FAIR. AT
PRESENT, THE SURGE ON OPENING DAY SWAMPS CANTON
FACILITIES. ACCORDING TO FAIR OFFICIALS, AT LEAST
10 TRADE DELEGATIONS FROM THE THIRD WORLD ATTENDED
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PAGE 03 PEKING 02507 01 OF 02 030852Z

THE FAIR. NCNA REPORTED VISITS BY GROUPS FROM
ZAMBIA, ALGERIA, ETHIOPIA, KUWAIT, IRAQ, NEPAL, BURMA
AND MALAYSIA.

4. ESTIMATES OF NATIONAL ATTENDANCE MADE BY DIPLOMATS
AT THE FAIR SHOW AN EQUAL OR INCREASED ATTENDANCE
FOR ALMOST ALL "FOREIGN" BUSINESSMEN (1976 SPRING
FAIR ESTIMATES IN PARENTHESES): FRANCE 230 (230);

UK 220 (170); CANADA 160 (150); BELGIUM 90 (70); AUSTRALIA 150; AUSTRIA 22; SWITZERLAND 62; SWEDEN 190; GERMANY 350; AND THE NETHERLANDS 160. INDIAN PASS-PORT HOLDERS, MOSTLY RESIDENT IN THIRD COUNTRIES, NUMBERED 50. THE U.S. FIGURES, PROVIDED BY TRADE OFFICIALS FOR THE FIRST TIME, ARE 300-325 FIRMS AND 700-800 REPRESENTATIVES. THE SOLE DECREASE OF NOTE WAS THE JAPANESE REPRESENTATION, WHICH THE CHINESE REQUESTED BE LIMITED FOR LOGISTICAL REASONS. JAPANESE EMBOFF'S SAY THE DROP FROM 3,100 AT THE LAST FAIR TO 2,015 THIS FALL DID NOT HINDER JAPANESE BUSINESS OPERATIONS, SINCE IT TYPICALLY WAS ACCOMPLISHED BY REDUCING THE REPRESENTATION OF MAJOR TRADING FIRMS, WHICH PREVIOUSLY "HAD SOME FAT."

5. LEVEL OF BUSINESS. NEW CHINA NEWS AGENCY REPORTS THAT PRC EXPORTS SALES AT THE FAIR SET A NEW RECORD AND THAT THE "VOLUME OF IMPORTS SURPASSED THE PREVIOUS FEW SESSIONS OF THE FAIR." BEARING IN MIND THE SUBSTANTIAL PRICE INCREASE IN SOME PRODUCT AREAS DURING THE LAST YEAR, WE ARE INCLINED TO ACCEPT THIS CLAIM AND TO PUT TOTAL BUSINESS AT CLOSE TO \$1 BILLION, THE LEVEL ESTIMATED BY USLO FOR THE 1975 FALL FAIR. IN AN UNPRECEDENTED GESTURE FAIR OFFICIALS PROVIDED SOME DIPLOMATS AT THE FAIR WITH PARTIAL FIGURES ON NATIONAL PURCHASES AT THE FAIR: US \$30 MILLION AFTER 16 DAYS; NETHERLANDS \$13 MILLION AFTER THREE WEEKS; BELGIUM \$10 MILLION; CANADA \$12 MILLION; SWITZERLAND \$12.7 MILLION AFTER THREE WEEKS; AUSTRALIA \$15 MILLION AFTER THREE WEEKS; AND FRANCE \$22 MILLION AFTER THREE WEEKS. UK AND FRG EMBOFF'S REPORTED GOOD, THOUGH UNEVEN, BUSINESS AT THE FAIR. YUGOSLAVIA'S TURNOVER AT THE FAIR SET A NEW RECORD OF MORE THAN LIMITED OFFICIAL USE

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PAGE 04 PEKING 02507 01 OF 02 030852Z

\$20 MILLION. USLO'S ESTIMATE FOR US BUSINESS AT THE FAIR (REFTEL) IS \$55-60 MILLION.

6. THE VOLUME OF JAPANESE PURCHASES INCREASED 10 PERCENT OVER LAST FALL'S LEVEL TO \$100-120 MILLION. JAPANESE EMBOFF'S ATTRIBUTE THIS INCREASE SOLELY TO PRICE HIKES, PARTICULARLY IN THE TWO MAJOR PRODUCT AREAS: TEXTILES AND FOODSTUFFS. JAPANESE SALES TO CHINA INCREASED STRONGLY OVER THE \$100 MILLION LEVEL OF THE SPRING FAIR TO \$120-160 MILLION. STILL SOME 20 PERCENT BELOW THE 1975 FALL FIGURE, THIS LEVEL OF SALES WAS WELCOMED BY JAPANESE EMBOFF'S AS A FAR BETTER RESULT THAN HAD BEEN ANTICIPATED TWO MONTHS AGO. LEADING ITEMS SOLD INCLUDED CHEMICALS, STEEL AND MACHINERY.

7. BUSIESS BY CORPORATION. THE STRONGEST RESURGENCE
FROM THE GENERALLY POOR SPRING FAIR PERFORMANCE WAS
IN THE CHEMICAL CORPORATION, WHICH PURCHASED LARGE

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PAGE 01 PEKING 02507 02 OF 02 030915Z

12
ACTION EA-09

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-04 H-02 INR-07 L-03

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LIMITED OFFICIAL USE SECTION 2 OF 2 PEKING 2507

QUANTITIES OF POLYESTER STAPLE AND INTERMEDIATE
CHEMICALS FOR THE PRODUCTION OF ARTIFICIAL FIBERS.
IN THIS AREA, JAPAN SOLD \$35 MILLION; THE US \$12
MILLION; AND AUSTRIA \$4 MILLION. THE CHINESE ALSO
PURCHASED LARGE QUANTITIES OF PLASTICS AND LIMITED
QUANTITIES OF AGRICULTURAL CHEMICALS, PRINCIPALLY
FROM THE US, CANADA AND YUGOSLAVIA. SALES NEGOTI-
ATIONS BY THE CHEMICAL CORPORATION REVEALED NUMEROUS
INSTANCES OF SHORT SUPPLY, A CHARACTERISTIC OF PREVIOUS
FAIRS AS WELL.

8. THE CEROILFOOD CORPORATION TOOK FULL ADVANTAGE -
OF RISING PRICE LEVELS TO SELL \$60 MILLION IN FOOD-

STUFFS TO JAPAN AND \$7 MILLION TO CANADA, AS WELL
AS SUBSTANTIAL SALES TO THE FRG AND SWITZERLAND.
JAPANESE PURCHASES WERE LED BY \$10 MILLION OF
FROZEN SHRIMP AND \$7 MILLION OF OTHER SEAFOOD.
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PAGE 02 PEKING 02507 02 OF 02 030915Z

JAPANESE TRADERS WERE ABLE TO SECURE ONLY
\$5 MILLION IN SOYBEANS, \$4 MILLION IN PULSES AND \$1
MILLION IN GRAIN FODDER. THESE ARE THE ONLY
PRC GRAIN SALES OF WHICH WE ARE AWARE. FINLAND
WHOSE TRADE AGREEMENT WITH THE PRC INCLUDES SOYBEANS
BUT WHICH HAS BEEN UNABLE TO MAKE A PURCHASE THIS
YEAR, WAS TOLD THAT THE FALL CROP 1977 WAS THE
FIRST POSSIBLE SOURCE OF PRC EXPORT SOYBEANS.

9. MACHINERY. AS USUAL, JAPANESE SALES IN THIS
AREA FAR OVERSHADOWED ALL OTHERS. THEY INCLUDED
\$14 MILLION IN METAL EXTRACTION EQUIPMENT AND ONE
THOUSAND TRUCKS. FEW INDUSTRIALIZED NATIONS BOUGHT
MACHINERY AT THE FAIR, BUT THE USUAL BRISK BUSINESS
WAS BEING DONE IN SALES OF SEWING MACHINES AND TOOLS
TO PAKISTAN, SINGAPORE AND HONG KONG.

10. NATIVE PRODUCE AND ANIMAL BY-PRODUCTS. THIS
CORPORATION INCREASED ITS BUSINESS WITH MANY OF THE
WESTERN NATIONS REPRESENTED AT THE FAIR. LEADING
ITEMS WERE FEATHERS AND DOWN, ESSENTIAL OILS, FIRE-
WORKS, TEA AND SPICES. A HUNDRED PERCENT INCREASE
IN DOWN PRICES OVER LAST YEAR SUPPORTED THE HIGH
LEVEL OF BUSINESS DONE BY THIS CORPORATION.

11. TEXTILES. SALES INCREASED BY 20-30 PERCENT
OVER THE SPRING FAIR, DESPITE A LOWER LEVEL
OF PURCHASES BY THE US. HERE, TOO, INCREASED SALES
TOTALS REFLECT PRICE RISES; 20-30 PERCENT FOR
GARMENTS AND LESSER HIKE FOR CLOTH. JAPAN PURCHASED
SOME \$17 MILLION, MUCH OF IT IN RAW SILK. SWISS

BUYERS TOOK \$5.4 MILLION IN RAW SILK AND \$2.5 MILLION
IN OTHER TEXTILES. CANADA BOUGHT \$2 MILLION AND THE
US ABOUT \$6 MILLION. NETHERLAND EMBOFFS REPORTED
THAT, FOR THE FIRST TIME, PURCHASES OF TEXTILES
HAD APPARENTLY BEEN RESTRICTED BY DUTCH IMPORT
QUOTAS UNDER THE EC.

12. MINMETALS. AS FREQUENTLY OCCURS AT THE FALL
FAIR, METALS SALESMEN WERE ASKED TO REMAIN IN CANTON
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PAGE 03 PEKING 02507 02 OF 02 030915Z

TO CONTINUE NEGOTIATIONS AFTER THE CLOSING OF THE FAIR. SWEDEN, FRANCE AND ITALY PRESSED HARD FOR SPECIALTY STEEL SALES WITH LITTLE SUCCESS. AUSTRALIA AND THE FRG CONCLUDED SOME STEEL SALES. JAPAN SOLD APPROXIMATELY \$7 MILLION IN SPECIAL STEEL AND \$15 MILLION IN STEEL PRODUCTS AT THE FAIR. LITTLE INTEREST IN ALUMINUM WAS EXPRESSED BY THE CHINESE AT THE FAIR AND ONLY ONE US COMPANY REPORTED SERIOUS DISCUSSIONS OF FUTURE PRC PURCHASES OF STEEL SCRAP. ON THE CHINESE EXPORT SIDE, TRADE OFFICIALS BARGAINED HARD FOR THE HIGHEST POSSIBLE PRICE, BUT THE USUAL SALES OF LARGE QUANTITIES OF ANTIMONY AND TUNGSTEN WERE MADE NONE- THELESS. YUGOSLAVIA TRADE REPRESENTATIVES WERE PERHAPS THE ONLY MAJOR TIN PURCHASERS AT THE FAIR. CHINESE NEGOTIATORS DISPLAYED A TENDENCY TO SEEK THE SHORTEST APPROPRIATE TERMS FOR EXPORT CONTRACTS, I.E., THREE MONTHS RATHER THAN SIX MONTHS, SIX MONTHS RATHER THAN ONE YEAR, ETC., DEPENDING ON THE ITEM. WESTERN TRADERS USUALLY ASCRIBED THIS TO CHINESE ANTICIPATION OF FUTURE PRICE RISES.

13. LIGHT INDUSTRY. SALES OF GENERAL LIGHT INDUSTRIAL PRODUCTS CONTINUE TO BE LIMITED PRINCIPALLY TO SE ASIA, HONG KONG AND AFRICA, WITH THE EXCEPTION OF SOME SPORTING GOODS SALES TO EUROPEAN COUNTRIES. DEMAND FOR CHINESE ARTS AND CRAFTS PRODUCTS REMAINS STRONG THROUGHOUT THE INDUSTRIALIZED NATIONS AND SHOULD ALLOW CONTINUED EXPORT EARNINGS IN THIS AREA. GATES

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